

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

HEARING ROOM A  
CALIFORNIA ENERGY COMMISSION  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

WEDNESDAY, NOVEMBER 20, 2002  
10:00 a.m.

Reported By:

Peter Petty

Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

John L. Geesman

Arthur H. Rosenfeld

STAFF PRESENT

Steve Larson, Executive Director

William Chamberlain, Chief Counsel

Jonathan Blees

Matt Trask

Dick Ratliff

Joseph Wang

Alec Jenkins

Gary Klein

Mark Hutchison

Chris Scruton

Daryl Mills

Jennifer Tachera

PUBLIC ADVISER

Penny Simmons

SECRETARIAT

Betty McCann

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## P R O C E E D I N G S

CHAIRMAN KEESE: Good morning. We'll call this meeting of the Energy Commission to order.

Commissioner Rosenfeld, would you lead us in the pledge, please?

(Thereupon, the Pledge of Allegiance was recited in unison.)

CHAIRMAN KEESE: Thank you.

Commissioner Pernell and Commissioner Boyd are out of state on business. Ms. Flores has advised us that all of the contracts we'll take up today are exempt from the governor's executive order. I don't know how long we'll have to continue doing that checking. I'm going to check with Ms. Flores.

Before we start, I will remind people that the meeting which at one time was set for the 27th, next Wednesday, has been cancelled, and that we will be adding a meeting on December 18th for the sole purpose of data adequacy of a project which walked in this week. But it will, we will be scheduling that.

At this time, I'd like to request a

1 motion to add Item 18 to the agenda, the  
2 consideration of an order instituting rulemaking  
3 on appliances.

4 COMMISSIONER ROSENFELD: I move that we  
5 add Item 18.

6 CHAIRMAN KEESE: Commissioner Rosenfeld  
7 moves.

8 COMMISSIONER GEESMAN: Second.

9 CHAIRMAN KEESE: Commissioner Geesman  
10 seconds.

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed?

14 Adopted, three to nothing. We'll take  
15 that up as Item 18.

16 We have the Consent Calendar.

17 COMMISSIONER ROSENFELD: I move the  
18 Consent Calendar.

19 CHAIRMAN KEESE: Commissioner Rosenfeld.

20 COMMISSIONER GEESMAN: Second.

21 CHAIRMAN KEESE: Second, Commissioner  
22 Geesman.

23 All in favor?

24 (Ayes.)

25 CHAIRMAN KEESE: Opposed?

1           Adopted, three to nothing.

2           Item 2, the Pico Power Project.

3       Commission consideration of the Executive  
4       Director's Data Adequacy Recommendations for the  
5       Central Valley Energy Center Project Application  
6       for Certification.

7           Good morning.

8           MR. TRASK: Good morning, Commissioners.

9       I am Matt Trask, Siting Division Project Manager  
10      for the City of Santa Clara's Pico Power Project  
11      AFC. With me today is Dick Ratliff, who is the  
12      staff attorney assigned to this case.

13           As proposed by the project applicant,  
14      the City of Santa Clara's Municipal Electric  
15      Utility, which is known as Silicon Valley Power,  
16      the Pico Power Project will be a nominal 122  
17      megawatt gas-fired combined cycle generating  
18      facility, located in the City of Santa Clara in  
19      Santa Clara County.

20           The project would include relocation of  
21      two small sections of existing transmission line,  
22      they currently pass over the proposed Pico Plant  
23      site, and about two miles of new natural gas  
24      pipeline.

25           Silicon Valley submitted the AFC on

1       October 7th, 2002, and then worked with staff to  
2       provide supplemental materials to its AFC in  
3       response to staff's review of the AFC. Staff  
4       would like to commend Silicon Valley Power and its  
5       consultants for the high quality of work evident  
6       in the AFC, and for the rapid response to staff's  
7       requests for additional information needed to  
8       reach data adequacy.

9               After review of the supplemental  
10       material supplied by the Applicant, and receipt  
11       yesterday of a letter from the Bay Area Air  
12       Quality Management District accepting the Pico  
13       Power Project air quality application as complete,  
14       staff has now determined that the AFC meets the  
15       informational requirements for both the six-month  
16       and twelve-month processes. Therefore, staff  
17       recommends that the Energy Commission find the  
18       Pico Power Project AFC adequate, and assign a  
19       committee to the proceeding.

20              CHAIRMAN KEESE: Thank you. Do we have  
21       any questions here?

22              COMMISSIONER ROSENFELD: I move that we  
23       accept data adequacy.

24              CHAIRMAN KEESE: Motion, Commissioner  
25       Rosenfeld.

1 COMMISSIONER GEESMAN: Second.

2 CHAIRMAN KEESE: Second, Commissioner

3 Geesman.

4 Is there any public comment?

5 Seeing none, all in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed?

8 Adopted, three to nothing.

9 MR. GALATI: Mr. Chairman, sir.

10 CHAIRMAN KEESE: Yes.

11 MR. GALATI: Good morning,

12 Commissioners. My name is Scott Galati. I am  
13 lucky enough to represent the Silicon Valley Power  
14 on the Pico Power Project. And to my right is the  
15 general manager, Les Ward. I'd also like to  
16 introduce to you the consultant team that was  
17 spoken so highly of, Andrea Grenier and Doug Davy,  
18 Davy with Foster Wheeler, and Andrea Grenier with  
19 Argonaut Consulting. We're very happy to be here.

20 We would also like to commend staff,  
21 particularly Mr. Trask and Paul Richins and Arlene  
22 Ichien for having many pre-meetings with us and  
23 helping us understand what was needed, and I think  
24 that helped facilitate our communication. So we  
25 thank you very much for data adequacy, and we hope



1 to be before you soon.

2 CHAIRMAN KEESE: Thank you. Appreciate  
3 that.

4 Item 3, Pico Power Project, possible  
5 approval of a committee for the Pico Power Project  
6 Application for Certification.

7 I'd entertain a motion that Commissioner  
8 Geesman chair that committee and Commissioner  
9 Rosenfeld be second.

10 COMMISSIONER ROSENFELD: I so move.

11 COMMISSIONER GEESMAN: Second.

12 CHAIRMAN KEESE: Motion, Commissioner  
13 Rosenfeld. Second, Commissioner Geesman.

14 All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed?

17 Adopted, three to nothing.

18 Thank you. We'll see you back.

19 Item 4. Local Jurisdiction Energy  
20 Assistance Loan Account. Possible approval of a  
21 loan to the County of San Mateo for \$140,000 to  
22 install a variable speed drive on the Trane  
23 Centravac chiller at the County Courts Building.

24 MR. WANG: Good morning, Commissioners.  
25 My name is Joseph Wang, and I'm the CEC Project

1 Manager for this loan.

2 The County of San Mateo is applying for  
3 a \$150,000 loan to install a variable speed drive  
4 on the 450 ton centrifugal chiller at the County  
5 Courts Building. The project will save over  
6 \$18,500 annually, and has a simple payback of  
7 eight years.

8 The staff has reviewed this loan  
9 application and recommend the approval of the  
10 loan, and a 25 match, waiver of a 25 match  
11 requirement.

12 CHAIRMAN KEESE: Thank you.

13 COMMISSIONER ROSENFELD: The committee  
14 has is happy, so I would move.

15 CHAIRMAN KEESE: Motion, Commissioner  
16 Rosenfeld.

17 COMMISSIONER GEESMAN: Second.

18 CHAIRMAN KEESE: Second, Commissioner  
19 Geesman.

20 Any public comment?

21 All in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed?

24 Adopted, three to nothing.

25 Energy Innovations Small Grant Program.

1 Possible approval of seven grant projects totaling  
2 \$519,436 under the Public Interest Energy Research  
3 Program. Mr. Jenkins.

4 MR. JENKINS: Good morning, Commissioner  
5 Keese, Commissioners. My name is Alec Jenkins. I  
6 manage the Energy Innovations Small Grant Program,  
7 and I am pleased to bring the funding  
8 recommendation for the twelfth cycle of the  
9 program to you for consideration.

10 The purpose of the program is to  
11 establish the feasibility of innovative energy  
12 science and technology concepts that fit the PIER  
13 mission so that promising concepts may advance to  
14 the development phase of energy R&D. Applicants  
15 may be individuals, small business, non-profits,  
16 and members of academia. The maximum grant is  
17 \$75,000.

18 Designed to lower the transaction costs  
19 for those who apply for small grant funding, the  
20 program is administered by a small grant, a small  
21 staff at the San Diego State University  
22 Foundation. Round 12 was opened in April 24th of  
23 this year. Proposals were due on June 21st, 57  
24 grant applications were received, and seven are  
25 recommended for funding by the R&D Committee.

1           Since March of 1998, over 700 grant  
2       applications have been received, and 100 grants  
3       have been awarded. One measure of the program's  
4       success is that several projects from early grant  
5       cycles have attracted follow-on funding for  
6       further development, the sum of such funding  
7       equaling the total of all Commission grant awards  
8       under the program.

9           The seven grant projects before you  
10      represent concept feasibility RD&D from an  
11      individual, a small business, and five academic  
12      professors. Three applications address the PIER  
13      energy systems integration area; two, the PIER  
14      buildings area; one application each addresses the  
15      PIER renewables and EPACT areas.

16           The projects have been reviewed and  
17      approved by the R&D Committee. The total sum  
18      funded, as requested, is \$519,436. All are worthy  
19      projects that staff recommends for funding.

20           CHAIRMAN KEESE: Thank you.

21           COMMISSIONER ROSENFELD: And I so move.

22           CHAIRMAN KEESE: Motion, Commissioner  
23      Rosenfeld.

24           COMMISSIONER GEESMAN: Second.

25           CHAIRMAN KEESE: Second, Commissioner

1 Geesman.

2 Since I am, since the two of them sit on  
3 the committee and I don't, could you or  
4 Commissioner Rosenfeld tell me, the numbers were  
5 that you're approving seven, you have funding for  
6 seven projects.

7 MR. JENKINS: Yes.

8 CHAIRMAN KEESE: And you had how many  
9 submittals?

10 MR. JENKINS: We had 57 submittals.

11 CHAIRMAN KEESE: I would imagine that  
12 the worthy projects did not stop at seven.

13 MR. JENKINS: No. Actually, the PTRB,  
14 the board that meets in San Diego and is a  
15 combination of policy and technology people who  
16 add their score to the scores of the technical  
17 reviewers, forwarded nine projects to us. Of  
18 those, the committee agreed to fund seven.

19 CHAIRMAN KEESE: Was that because of  
20 resources availability, or?

21 MR. JENKINS: No, Commissioner. That  
22 was because one project application was found to  
23 be faulty. The applicant had not revealed --

24 CHAIRMAN KEESE: That's fine. I'm just  
25 wondering if it was limited by finances.

1 MR. JENKINS: No, it was not.

2 CHAIRMAN KEESE: So we had, out of 57 we  
3 got nine reasonably good ones, seven solid  
4 projects.

5 MR. JENKINS: Yes. Actually, the  
6 funding for the program is tracking exactly its  
7 availability. I mean, the --

8 CHAIRMAN KEESE: Thank you.

9 MR. JENKINS: -- the awards are tracking  
10 the availability.

11 CHAIRMAN KEESE: Thank you.

12 We have a motion and a second. Any  
13 public comment?

14 All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed?

17 Adopted, three to nothing.

18 Item 6, Public Interest Energy Research  
19 Program. Consideration and possible approval of  
20 proposed revised procedures for sole and single  
21 source awards.

22 COMMISSIONER ROSENFELD: Bringing it up  
23 to date. Alec, tell us about it.

24 MR. JENKINS: Yes. As background, AB  
25 1890 provided the Commission with a mandate for an

1 extensive RD&D program in 1996, but the  
2 expectations of that program could not be met  
3 using the existing state contracting code. So the  
4 legislature addressed that issue, and other  
5 issues, by passing two years later SB 90, which  
6 allowed the Commission to make sole and single  
7 source contracts under the PIER program.

8 Per regulations we needed to do that,  
9 and the Commission adopted regulations in 1999,  
10 and followed those regulations with procedures,  
11 also in 1999. It's those procedures that we  
12 propose to revise.

13 The 1999 procedures solved simple  
14 problems such as being able to contract for the  
15 Phase 2 of a project after Phase 1 had been  
16 completed without circling back through the whole  
17 contracting process. However, the PIER program  
18 has evolved considerably since those early years,  
19 and particularly since 1999. Gary Klein, here  
20 with me, was instrumental in instituting various  
21 administrative streamlining and contract  
22 streamlining activities which have resulted in two  
23 particular assets of the PIER program. One is a  
24 contracts package preparation team through which  
25 all contracts or proposed contracts proceed, to

1 provide the documentation that the contracts  
2 office and the Commission needs. The second is a  
3 PIER information management system, which tracks  
4 all significant events in the PIER program.

5 The earlier procedures do not agree with  
6 those assets. They do not make use of the assets.  
7 They have their own rather lengthy transactions  
8 with, between PIER staff and the contracts office.  
9 The contracts office, according to the old  
10 procedures, keeps track of proposals and sole  
11 source contracts. So one reason for proposing the  
12 revisions is to simply integrate these  
13 streamlining assets into the sole, single source  
14 procedures.

15 The second reason for the revision that  
16 we propose is that staff has experienced floods of  
17 sole source proposals initiated by applicants  
18 that, without a way to screen those and determine  
19 which proposals they would like to accept because  
20 they would appear to add value to the program, and  
21 which proposals they would not like to accept or  
22 they would like to suggest changes to in order to  
23 add value to the program. So these procedures  
24 have a provision that's important to staff, in  
25 which staff authorize or do not authorize the



1       submittal of sole source proposals that are  
2       unsolicited by Commission staff.

3               We believe that this is going to  
4       conserve staff resources and allow staff resources  
5       to focus on those sole source proposals brought by  
6       the outside that would add value to the program.  
7       In addition, staff may initiate sole source  
8       proposals as it does single source proposals.

9               Those are the main features of the  
10       proposed procedures. The procedures have been  
11       developed in coordination and cooperation with the  
12       program manager, PIER program manager, the PIER  
13       team leads, the Chief Counsel's Office, the  
14       Contracts Office, and the Grants Office, so it has  
15       been quite a process that we have followed to get  
16       to this point today.

17              At this point, I would like to direct  
18       the Commissioners' attention to the top of page 4  
19       of the procedures, where I would like to have  
20       changes made to the copy that you have.

21              The first paragraph on page 4 is headed,  
22       "Authorized Commission staff initiated sole source  
23       proposals." The first line of the paragraph  
24       should be, on page 4, "The PIER program manager or  
25       program area leads may authorize staff initiated

1       sole source proposals." The key word there is  
2       "or". Either the program manager or PIER staff.  
3       At the moment it's a bit confusing, because it  
4       says, and, slash, or. We wish to clean that up.

5               CHAIRMAN KEESE: Okay.

6               COMMISSIONER ROSENFELD: We're all with  
7       you, Alec.

8               MR. JENKINS: The second change on the  
9       next paragraph to comport with that, it's, again,  
10      "or", instead of "and". The PIER program manager  
11      or --

12              CHAIRMAN KEESE: All right.

13              MR. JENKINS: -- the program area leads.

14              CHAIRMAN KEESE: I see. That certainly  
15      does -- I'm familiar with the debate about whether  
16      there is such a thing as and/or. I had the German  
17      thing on my typewriter, or computer, delete that.

18              All right. And you got that change?

19      All right.

20              MR. JENKINS: I would be glad to answer  
21      any questions.

22              CHAIRMAN KEESE: That was very clear. I  
23      appreciate the background.

24              Commissioner Rosenfeld.

25              COMMISSIONER ROSENFELD: I just want to

1 say that I've been here a couple of years, and  
2 PIER certainly has become marvelously streamlined  
3 compared with when I arrived, and I want to thank  
4 Gary Klein and Alec Jenkins for their more than  
5 hard, lots of hard work, but necessary work. So,  
6 thank you folks very much.

7 And so I guess I just move the item.

8 CHAIRMAN KEESE: Motion, Commissioner  
9 Rosenfeld.

10 COMMISSIONER GEESMAN: Second.

11 CHAIRMAN KEESE: Second, Commissioner  
12 Geesman.

13 All in favor?

14 (Ayes.)

15 CHAIRMAN KEESE: Opposed?

16 Adopted, three to nothing.

17 And I will just say, from being a  
18 recipient of the complaints about our procedure  
19 and process, I can aver that it's getting  
20 extremely better. I don't believe I've had a  
21 complaint in the last year, and I believe they  
22 were one a week a couple of years back, so it  
23 definitely has improved.

24 MR. JENKINS: Thank you, Commissioners.

25 CHAIRMAN KEESE: Thank you both.

1 MR. KLEIN: Thank you. That's great to  
2 hear.

3 CHAIRMAN KEESE: Item 7. Electricity  
4 Surcharge Rate. Commission consideration and  
5 possible approval of the Electricity Surcharge  
6 Rate for Calendar Year 2003.

7 Do you want to give us any background,  
8 or?

9 MR. HUTCHISON: Please.

10 Good morning. Mark Hutchison, Financial  
11 Services Branch, California Energy Commission.

12 As mentioned in the agenda item,  
13 legislation was recently enacted authorizing the  
14 Commission to annually adjust the surcharge rate  
15 at a public meeting, business meeting. The  
16 legislation capped the rate at three-tenths of a  
17 mil. It currently is set at two-tenths of a mil.  
18 We've reviewed our expenditures for both the  
19 current year and the budget year, fiscal years  
20 '02-'03 and '03-'04, and we've determined that  
21 there are adequate funds in the ERPA fund, and  
22 that it therefore does not require a surcharge  
23 change.

24 And so we are recommending that the rate  
25 stay at two-tenths of a mil for Calendar Year

1 2003.

2 CHAIRMAN KEESE: Thank you.

3 I'll say one thing before I entertain  
4 the motion. I believe that the, I've heard, my  
5 personal opinion is that we don't have to take  
6 action on this. However, the gatekeeper who  
7 handles the funds declares that we must take  
8 action on this, and I always like to please  
9 gatekeepers. So I would entertain a motion that  
10 we accept it.

11 COMMISSIONER GEESMAN: So move.

12 CHAIRMAN KEESE: Motion, Commissioner  
13 Geesman.

14 COMMISSIONER ROSENFELD: Second.

15 CHAIRMAN KEESE: Second, Commissioner  
16 Rosenfeld.

17 All in favor?

18 (Ayes.)

19 CHAIRMAN KEESE: Opposed?

20 Adopted, three to nothing.

21 Item 8. Bevilacqua-Knight Inc.  
22 Possible approval of Contract 500-02-011 for  
23 \$414,717 to advance residential retro-  
24 commissioning.

25 MR. SCRUTON: Good morning,

1 Commissioners. My name is Chris Scruton, I'm with  
2 the PIER buildings team.

3 CHAIRMAN KEESE: Okay. Let me know, so  
4 that I understand this, let me know what  
5 residential retro-commissioning is.

6 MR. SCRUTON: Okay. That's often asked  
7 for. This is essentially a method of diagnostics  
8 and remediation techniques for use in houses, to  
9 determine what is working properly and what isn't  
10 working properly, and how to correctly repair  
11 those. And it's, it's not as simple as you might  
12 think.

13 This proposal is aimed at the older  
14 house market, which could comprise as much as 90  
15 percent of the existing building stock of houses.  
16 And it represents about a third of the total  
17 energy use, electricity use in California. At  
18 present, virtually no contractors are taking an  
19 integrated approach to remediation and energy  
20 upgrades. The PIER buildings program previously  
21 sponsored an LB&L project to develop whole house  
22 diagnostic techniques and remediation strategies,  
23 and the energy savings estimates that they came up  
24 with were on the order of 25 to 30 percent, on  
25 average.

1           This project aims to pick up where that  
2   project left off, essentially to identify the  
3   contractors that are using what could be called  
4   best practices at this time, and to use them to  
5   develop practical methods for integrating the  
6   scientific techniques that LB&L developed and  
7   integrate those into their business practices.  
8   The measure of success of this project at the end  
9   will be a small number of contractors who are  
10   actually employing these scientific methods in  
11   their contracting businesses, and it will also  
12   develop training materials, a contractor  
13   certification standard, and document the actual  
14   energy benefits from doing these procedures.

15           EXECUTIVE DIRECTOR LARSON:  Mr.  
16   Chairman, I haven't had a chance to be fully  
17   briefed on this one yet.  Is there any, is there a  
18   time constraint here that's important, that it has  
19   to be dealt with today, or could we put it over  
20   for a couple of weeks?

21           MR. SCRUTON:  Well, they're very anxious  
22   to get started, but I'm sure that we can, we can  
23   hold it off as long as need be.

24           EXECUTIVE DIRECTOR LARSON:  Good.  I'd  
25   like to request, then, that I have the chance to

1 look at this more closely.

2 CHAIRMAN KEESE: Okay. Let me ask one  
3 question myself. Is this, how does this differ  
4 from a utility energy audit? Or your utility, who  
5 offers to come in and do an energy audit?

6 MR. SCRUTON: Yes. Typically, the  
7 energy audits are kind of a walk-through with a  
8 visual inspection. And --

9 CHAIRMAN KEESE: Insulation, windows.

10 MR. SCRUTON: This kind of thing.  
11 Although very often, for example, to take windows  
12 as an example, the LB&L work identified a number  
13 of practical measures for determining whether  
14 windows are actually as good as they're supposed  
15 to be. They came up with a simple instrument that  
16 can tell you whether there's a low E-coating on  
17 the windows and whether it's on the right side of  
18 the windows. And apparently a significant  
19 fraction of those are actually not, they're either  
20 not there or they're installed on the wrong, the  
21 wrong pane of glass. And it's pretty difficult  
22 to, you know, for the average person to tell that  
23 without these kind of special tools.

24 CHAIRMAN KEESE: Okay, thank you.  
25 That'll be good.



1           We'll put this over, then, until the  
2 11th of December.

3           MR. SCRUTON: Okay. Thank you.

4           CHAIRMAN KEESE: And the same with Item  
5 9, ICF Associates. That's over until the 11th of  
6 December.

7           Item 10. California Consumer Finance  
8 and Power Authority. Possible approval of a  
9 Memorandum of Understanding 400-02-004 to clearly  
10 state the intentions of both agencies to cooperate  
11 on issuing a Revenue Bond for approximately \$20 to  
12 \$30 million.

13           Thank you. I, the last statement I  
14 made, it may have been amended already. Mr.  
15 Mills.

16           MR. MILLS: Good morning, Commissioners.  
17 I am Daryl Mills with the Energy Efficiency  
18 Division. Today I have with me Stephen Weinstein,  
19 who's the Director of Finance for the Power  
20 Authority.

21           Today I'm seeking approval for the  
22 Commission to enter into a Memorandum of  
23 Understanding with the Power Authority, in which  
24 we agree to move forward in good faith on a  
25 Revenue Bond. The bonds would be used to augment

1 the Energy Commission's Energy Efficiency  
2 Financing Program. That program makes loans to  
3 local governments and schools. You saw one of  
4 those loans go through just a little earlier on  
5 the agenda to San Mateo County.

6 Approximately 580 loans have been  
7 awarded through the program, with about 60 percent  
8 of those loans going to schools and colleges.  
9 Thirty percent of the loans have gone to local  
10 governments, and about ten percent are going to  
11 hospitals, special districts, and public care  
12 institutions.

13 The program has an exemplary repayment  
14 history. In the 23-year history of this program,  
15 it's only written off about \$10,000 in debt due to  
16 defaults. Today, we have 186 active loans in the  
17 Commission's loan program. The Revenue Bond will  
18 be supported exclusively by scheduled repayments  
19 from a select set of about 100 of loans of that  
20 186 loans. Dollars repay the loans from the  
21 energy cost savings that are generated from the  
22 projects.

23 The demand for loans continues to be  
24 strong. In the last year, the Commission has  
25 approve 32 loans totaling \$29 million. We still

1       see a fairly strong demand. We currently only  
2       have about \$5 million available for loans today.  
3       At the rate that we're lending, that means just in  
4       a very short time we could be out of loan money.

5               The Revenue Bond concept and the ability  
6       to work with the California Power Authority is  
7       possible because of legislation sponsored by the  
8       Commission. In 1995, the Commission received  
9       authority through SB 1065, that's from Senator  
10      Peace, to dedicate repayments from the loans that  
11      we've issued to repayment of a bond. This year,  
12      SB 1790, passed in this legislative session, and  
13      it was also sponsored by the Commission, added the  
14      CPA as a bond authority that we can use as an  
15      issuer for these bonds.

16             Should you approve this MOU, the staff's  
17      schedule calls for us to come back to the  
18      Commission in January with a full and detailed  
19      proposal to seek approval to sell bonds using  
20      specific loans in our loan portfolio to support  
21      it. Under our current schedule, the bonds would  
22      not be sold until January/February at the  
23      earliest, the end of January timeframe.

24             I ask for your approval today to enter  
25      into this MOU with the CPA, and we are pleased to

1       answer ny questions you might have.  However,  
2       first, in the spirit of the MOU, Stephen Weinstein  
3       has agreed to be here with me, and wants to make a  
4       few remarks.

5               CHAIRMAN KEESE:  Thank you.  Welcome.

6               MR. WEINSTEIN:  Thank you, Daryl.  Thank  
7       you, gentlemen.

8               I think Daryl summarized the program  
9       very well.  It's a pleasure to be working together  
10      truly as a team, to realize these energy savings.

11              We have put together the necessary  
12      professional team, in addition to our own staffs,  
13      to accomplish this in the timeframe that Daryl has  
14      set out.  We have retained bond counsel, Sidley  
15      Austin, or its full merged name, Sidley, Austin,  
16      Brown and Wood.  We have retained Goldman Sachs to  
17      underwrite the offering.  They have brought in as  
18      counsel Orrick Harrington, and the Commission is  
19      utilizing an outside financial adviser, I believe  
20      Lamont, is that correct?  Lamont Financial, who  
21      you have experience with before.

22              We have initiated the discussions with  
23      the rating agencies, and expect to meet the  
24      schedule probably by the end of January.  And  
25      during the next four to six weeks we'll be putting

1 together all the necessary nuts and bolts you need  
2 to do this transaction, and it will probably end  
3 up at the level of about \$30 million.

4 And I'd be pleased to answer any other  
5 questions you have. This memorandum is very  
6 general in nature, saying that we will continue to  
7 work together to bring this to fruition. And I'd  
8 just like to make a personal and professional  
9 statement that it is turning out to be exactly  
10 what it should be, a true team effort between our  
11 two agencies, and I thank Daryl and his  
12 colleagues, and I thank you.

13 CHAIRMAN KEESE: Thank you. I'm fully  
14 aware of this. Commissioner Geesman.

15 COMMISSIONER GEESMAN: Yeah, I'm  
16 prepared to make the motion. I'd like to make a  
17 couple of comments before doing so.

18 I'm pleased to see us working with the  
19 Power Authority on this, and I do think that it  
20 represents a good opportunity to build on in the  
21 future. I'm aware that we've taken a somewhat  
22 conservative approach to sizing the issue at \$30  
23 million, despite the fact that the portfolio, from  
24 some perspectives, might support a larger issue of  
25 40 or 42 million. As one Commissioner, I would

1 encourage you to be a little ambitious on that,  
2 and if, in fact, after review, it would support  
3 the larger issue and you're confident enough that  
4 we could originate those loans within a three-year  
5 origination period, then you can count on my  
6 support for increasing the size.

7 I guess I'd also raise the question as  
8 to whether or not in your review an open indenture  
9 for the program would be better situated, in terms  
10 of future issuances, than a closed indenture. I'm  
11 not familiar with current status of the tax law on  
12 that question, but I'd encourage you to have your  
13 attorneys and financial advisers review that  
14 particular question.

15 And then I would also commend you for  
16 aiming as high as you apparently have, in terms of  
17 creditworthiness of the issue. I understand that  
18 you are hopeful of gaining a double A rating,  
19 which, you know, I think that it would be a fine  
20 program with a single A rating, but the higher  
21 creditworthiness, in my mind, stands you in good  
22 stead for future issuances, as well. And I would  
23 encourage you to look at this initial issuance  
24 with the potential for scaling it up to a larger  
25 size in future iterations.

1 And with that, I would make the motion.

2 MR. WEINSTEIN: Your points re very well  
3 taken. Thank you.

4 CHAIRMAN KEESE: Thank you.

5 Commissioner Rosenfeld.

6 COMMISSIONER ROSENFELD: I don't know  
7 one-tenth of the finance that my colleague  
8 Commissioner does, so I won't comment about open  
9 versus closed indentures. But I think it's  
10 wonderful to see you two folks working together,  
11 and I hope we see you back in January, even if  
12 it's raining when you have to come across the  
13 street, Mr. Weinstein.

14 MR. WEINSTEIN: Thank you very much.

15 CHAIRMAN KEESE: Do we have a motion?

16 COMMISSIONER GEESMAN: So move.

17 CHAIRMAN KEESE: Motion, Commissioner  
18 Geesman.

19 COMMISSIONER ROSENFELD: Second.

20 CHAIRMAN KEESE: Second, Commissioner  
21 Rosenfeld.

22 Any public comment?

23 All in favor?

24 (Ayes.)

25 CHAIRMAN KEESE: Opposed?

1                   See you back in January.

2                   MR. WEINSTEIN: Thank you.

3                   CHAIRMAN KEESE: Item 11. Natural Gas  
4                   Surcharge. On October 3, 2002, the California  
5                   Public Utilities Commission adopted Rulemaking 02-  
6                   10-001, on the establishment of a public purpose  
7                   program surcharge, pursuant to AB 1002. This  
8                   legislation imposes a natural gas surcharge.  
9                   We're going to hear about it.

10                  MS. TACHERA: Thank you. Good morning,  
11                  Commissioners. Jennifer Tachera, from the Legal  
12                  Office.

13                  Staff is asking for permission to  
14                  intervene in the PUC proceeding. We would like to  
15                  advocate that the PUC allocate more money for R&D  
16                  and place administration of the program with the  
17                  CEC.

18                  CHAIRMAN KEESE: Thank you.

19                  Do we have any questions? Are you  
20                  familiar with this?

21                  COMMISSIONER GEESMAN: Yes, I am.

22                  COMMISSIONER ROSENFELD: Yes, the  
23                  committee's familiar, and as Chairman of R&D I  
24                  certainly support Jennifer's proposal, so I so  
25                  move.



1 COMMISSIONER GEESMAN: Second.

2 CHAIRMAN KEESE: Motion, Commissioner  
3 Rosenfeld. Second, Commissioner Geesman.

4 Yes.

5 MS. TACHERA: Yes. And I think it's  
6 logical to assign this to the R&D Committee. It's  
7 not been assigned to a particular committee yet.

8 CHAIRMAN KEESE: I don't think we have  
9 to do that here in the motion, but I don't have a  
10 particular problem with that. Commissioner  
11 Pernell's not here, and that's legislative, so  
12 let's just hang on. But we will take that under  
13 consideration.

14 MS. TACHERA: Sure.

15 CHAIRMAN KEESE: All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed?

18 Adopted, three to nothing. Thank you.

19 Mr. Larson will take that issue up  
20 sometime.

21 That brings us to Item 18, Consideration  
22 of an Order Instituting Emergency Rulemaking on  
23 Appliances. At this moment, the Commission will  
24 take an extremely brief recess for an Executive  
25 Session, we will be back here in five minutes,

1 max.

2 (Off the record.)

3 CHAIRMAN KEESE: Back on the record.

4 We have before us Item 18, Consideration  
5 of Order Instituting Emergency Rulemaking on  
6 Appliances. Mr. Blees.

7 MR. BLEES: Thank you, Mr. Chairman,  
8 Commissioners.

9 Information has recently come to light  
10 concerning the appliance regulations that the  
11 Commission adopted the past February 6th, and that  
12 are currently scheduled to go into effect on  
13 November 27th. It appears that there are a few  
14 items that are simply in error, and items, a few  
15 other items where the new information suggests  
16 that potentially substantial burdens to the  
17 appliance industry might be able to be reduced by  
18 making only very minor changes to the regulations  
19 that would really have no substantive effect, and  
20 no significant effect on the operation of the  
21 Commission's appliance program.

22 Therefore, the technical staff and the  
23 legal office are recommending that you adopt the  
24 draft OIR that is before you.

25 CHAIRMAN KEESE: Thank you, Mr. Blees.

1 Any comments? Do I have a motion?  
2 COMMISSIONER GEESMAN: I'll move it.  
3 CHAIRMAN KEESE: Motion, Commissioner  
4 Geesman.  
5 COMMISSIONER ROSENFELD: Second.  
6 CHAIRMAN KEESE: Second, Commissioner  
7 Rosenfeld.  
8 Any public comment?  
9 All in favor?  
10 (Ayes.)  
11 CHAIRMAN KEESE: Opposed?  
12 Thank you. Adopted, three to nothing.  
13 Minutes. We have the minutes of  
14 November 6th. Do I have a motion?  
15 COMMISSIONER GEESMAN: So move.  
16 CHAIRMAN KEESE: Motion, Commissioner  
17 Geesman.  
18 COMMISSIONER ROSENFELD: Second.  
19 CHAIRMAN KEESE: Second, Commissioner  
20 Rosenfeld.  
21 All in favor?  
22 (Ayes.)  
23 CHAIRMAN KEESE: Adopted.  
24 Commission Committee and Oversight.  
25 Seeing none, not seeing our legislative

1 representative.

2 Chief Counsel's Report.

3 CHIEF COUNSEL CHAMBERLAIN: Yes,  
4 Chairman Keese. I'm pleased to announce that two  
5 pieces of litigation have come to an end this  
6 week, or close to coming to an end. The first one  
7 was a challenge by the Transmission Agency of  
8 Northern California to the Commission's Sunrise  
9 decision that was filed a couple of years ago, and  
10 really didn't proceed very far. I can't really  
11 claim any, you know, great credit for the end of  
12 this, because it was voluntarily dismissed by the  
13 Transmission Agency. The only thing that we did  
14 right was to recognize that they probably weren't  
15 going to go forward with it, and we didn't do  
16 anything.

17 CHAIRMAN KEESE: Thank you.

18 CHIEF COUNSEL CHAMBERLAIN: The second  
19 one was the challenge to the Blythe project. And  
20 here, we did actually file a demurrer because that  
21 challenge appeared to have been filed late. The  
22 demurrer was sustained by the trial court, and  
23 there was an appeal, and we have just gotten an  
24 intended decision from the Court of Appeal  
25 sustaining all of our arguments.

1                   CHAIRMAN KEESE: That is great news.  
2           Thank you. Let's hope you can report two more  
3           next week.  
4                   Executive Director's Report.  
5                   EXECUTIVE DIRECTOR LARSON: No report.  
6                   CHAIRMAN KEESE: Public Adviser's  
7           Report.  
8                   PUBLIC ADVISER SIMMONS: No report.  
9                   CHAIRMAN KEESE: Thank you.  
10           Public Comment.  
11           Seeing none, this meeting is adjourned.  
12           Thank you, everybody.  
13           (Thereupon, the Business Meeting was  
14           adjourned at 11:55 a.m.)

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## CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,  
do hereby certify that I am a disinterested person  
herein; that I recorded the foregoing California  
Energy Commission Business Meeting; that it was  
thereafter transcribed into typewriting.

I further certify that I am not of  
counsel or attorney for any of the parties to said  
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